

UNITED STATES DISTRICT COURT  
FOR THE DISTRICT OF MASSACHUSETTS

---

ITV DIRECT, INC.,

Plaintiff,

v.

HEALTHY SOLUTIONS, LLC, ET. AL.,

Defendants.

---

CAPPSEALS, INC.,

Plaintiff-in-  
Intervention

v.

HEALTHY SOLUTIONS, LLC., D/B/A  
DIRECT BUSINESS CONCEPTS; ITV  
DIRECT, INC. AND DIRECT  
FULFILLMENT, LLC.

Intervenor-  
Defendants.

---

C. A. No. 04-CV10421-JLT  
(DEIN, J)

**CAPPSEALS, INC.'S REPLY TO THE ITV PARTIES'  
OPPOSITION TO CAPPSEALS' MOTION FOR SANCTIONS  
UNDER 28 U.S.C. § 1927 AND THE INHERENT POWERS OF THE COURT**

**EXHIBIT 1, PART 1**

Form **1120S**  
Department of the Treasury  
Internal Revenue Service

## U.S. Income Tax Return for an S Corporation

OMB No. 1545-0130

**2005**

Do not file this form unless the corporation has filed  
Form 2553 to elect to be an S corporation.  
See separate instructions.

For calendar year 2005, or tax year beginning , 2005, and ending

<b>A</b> Effective date of S election  06/12/01	<b>Use the IRS label. Otherwise, print or type.</b>	Name <b>DIRECT MARKETING CONCEPTS, INC.</b>	<b>C</b> Employer identification number 04-3564332
<b>B</b> Business code number (see instructions)  512100		Number, street, and room or suite no. (If a P.O. box, see instructions.) <b>55 CHERRY HILL DRIVE</b>	<b>D</b> Date incorporated 06/12/01
		City or town, state, and ZIP code <b>BEVERLY MA 01915-1068</b>	<b>E</b> Total assets (see instructions) \$ 3,553,337.

**F** Check applicable boxes: (1) ☐ Initial return (2) ☐ Final return (3) ☐ Name change (4) ☐ Address change (5) ☐ Amended return

**G** Enter number of shareholders in the corporation at end of the tax year ..... 2

Caution: Include only trade or business income and expenses on lines 1a through 21. See the instructions for more information.

<b>INCOME</b>	1a	Gross receipts or sales	49,009,637.	b	Less returns and allowances		c	Balance	49,009,637.
	2	Cost of goods sold (Schedule A, line 8)		3	Gross profit. Subtract line 2 from line 1c		4	Net gain (loss) from Form 4797, Part II, line 17 (attach Form 4797)	
	5	Other income (loss) (attach statement)	*. STMT.	6	Total income (loss). Add lines 3 through 5		7	Compensation of officers	1,418,870.
	8	Salaries and wages (less employment credits)		9	Repairs and maintenance		10	Bad debts	
	11	Rents		12	Taxes and licenses		13	Interest	36,310.
	14a	Depreciation (attach Form 4562)	279,328.	14b	Depreciation claimed on Schedule A and elsewhere on return		14c	Subtract line 14b from line 14a	279,328.
<b>DEDUCTIONS</b>	15	Depletion (Do not deduct oil and gas depletion.)		16	Advertising		17	Pension, profit-sharing, etc. plans	54,682.
	18	Employee benefit programs		19	Other deductions (attach statement)	*. STMT.	20	Total deductions. Add the amounts shown in the far right column for lines 7 through 19	17,578,862.
	21	Ordinary business income (loss). Subtract line 20 from line 6		22a	Tax: a Excess net passive income tax (attach statement)		22b	Tax from Schedule D (Form 1120S)	
	23	Payments: a 2005 estimated tax payments and amount applied from 2004 return		23a	Tax deposited with Form 7004	0.	23b	Credit for Federal tax paid on fuels (attach Form 4136)	
	24	Estimated tax penalty (see instructions). Check if Form 2220 is attached	<input type="checkbox"/>	25	Tax due. If line 23d is smaller than the total of lines 22c and 24, enter amount owed		26	Overpayment. If line 23d is larger than the total of lines 22c and 24, enter amount overpaid	
	27	Enter amount of line 26 you want: Credited to 2006 estimated tax		27	Refunded				

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Sign Here

Signature of officer

Date  
09/15/06Title  
TREASURER

May the IRS discuss this return with the preparer shown below (see instructions)?

☒ Yes ☐ No

Paid Preparer's Use Only	Preparer's signature	Date	Check if self-employed	Preparer's SSN or PTIN
	Firm's name (or yours if self-employed), address, and ZIP code			
	LEO H. BONARRIGO CPA	09/15/06	<input checked="" type="checkbox"/>	P43183937
	268 SUMMER STREET, 6TH FLOOR			EIN 04-3183937
	BOSTON MA 02210			Phone no. (617) 946-2562

BAA For Privacy Act and Paperwork Reduction Act Notice, see the separate instructions.

SPSA0112 12/08/05

Form 1120S (2005)

CONFIDENTIAL

DMC 05498

Form 1120S (2005) DIRECT MARKETING CONCEPTS, INC.

04-3564332

Page 2

**Schedule A** Cost of Goods Sold (see instructions)

1	Inventory at beginning of year .....	1	1,620,778.
2	Purchases .....	2	30,591,140.
3	Cost of labor .....	3	
4	Additional section 263A costs (attach statement) .....	4	
5	Other costs (attach statement) .....	5	
6	<b>Total.</b> Add lines 1 through 5 .....	6	32,211,918.
7	Inventory at end of year .....	7	905,410.
8	<b>Cost of goods sold.</b> Subtract line 7 from line 6. Enter here and on page 1, line 2 .....	8	31,306,508.

9a Check all methods used for valuing closing inventory:

- (i) ☒ Cost as described in Regulations section 1.471-3  
 (ii) ☐ Lower of cost or market as described in Regulations section 1.471-4  
 (iii) ☐ Other (specify method used and attach explanation) ▶

b Check if there was a writedown of subnormal goods as described in Regulations section 1.471-2(c) ..... ▶ ☐c Check if the LIFO inventory method was adopted this tax year for any goods (if checked, attach Form 970) ..... ▶ ☐d If the LIFO inventory method was used for this tax year, enter percentage (or amounts) of closing inventory computed under LIFO ..... **9d** ☐e If property is produced or acquired for resale, do the rules of Section 263A apply to the corporation? ..... ☐ Yes ☒ Nof Was there any change in determining quantities, cost, or valuations between opening and closing inventory? If 'Yes,' attach explanation ..... ☐ Yes ☒ No**Schedule B** Other Information (see instructions)

	Yes	No
1 Check method of accounting: (a) <input type="checkbox"/> Cash (b) <input checked="" type="checkbox"/> Accrual (c) <input type="checkbox"/> Other (specify) ▶		
2 See the instructions and enter the: (a) Business activity ▶ <u>INFOMERICAL PRODUCTION</u> (b) Product or service ▶ <u>SERVICE</u>		
3 At the end of the tax year, did the corporation own, directly or indirectly, 50% or more of the voting stock of a domestic corporation? (For rules of attribution, see section 267(c).) If 'Yes,' attach a statement showing: (a) name, address, and employer identification number and (b) percentage owned .....		X
4 Was the corporation a member of a controlled group subject to the provisions of section 1561? .....		X
5 Has this corporation filed, or is it required to file, a return under section 6111 to provide information on any reportable transaction? .....		X
6 Check this box if the corporation issued publicly offered debt instruments with original issue discount ..... <input type="checkbox"/> If checked, the corporation may have to file <b>Form 8281</b> , Information Return for Publicly Offered Original Issue Discount Instruments.		
7 If the corporation: (a) was a C corporation before it elected to be an S corporation or the corporation acquired an asset with a basis determined by reference to its basis (or the basis of any other property) in the hands of a C corporation and (b) has net unrealized built-in gain (defined in section 1374(d)(1)) in excess of the net recognized built-in gain from prior years, enter the net unrealized built-in gain reduced by net recognized built-in gain from prior years ..... ▶ \$		
8 Check this box if the corporation had accumulated earnings and profits at the close of the tax year ..... <input type="checkbox"/>		
9 Are the corporation's total receipts (see instructions) for the tax year and its total assets at the end of the tax year less than \$250,000? If 'Yes,' the corporation is not required to complete Schedules L and M-1 .....		X

**Note:** If the corporation had assets or operated a business in a foreign country or U.S. possession, it may be required to attach **Schedule N (Form 1120)**, Foreign Operations of U.S. Corporations, to this return. See **Schedule N** for details.

**Schedule K** Shareholders' Shares of Income, Deductions, Credits, etc

	Shareholders' Pro Rata Share Items	Total amount
1	Ordinary business income (loss) (page 1, line 21) .....	1 137,502.
2	Net rental real estate income (loss) (attach Form 8825) .....	2
3a	Other gross rental income (loss) ..... <b>3a</b>	
b	Expenses from other rental activities (attach statement) ..... <b>3b</b>	
c	Other net rental income (loss). Subtract line 3b from line 3a .....	3c
4	Interest income .....	4
5	Dividends: a Ordinary dividends ..... <b>5a</b>	
b	Qualified dividends ..... <b>5b</b>	
6	Royalties .....	6
7	Net short-term capital gain (loss) (attach Schedule D (Form 1120S)) .....	7
8a	Net long-term capital gain (loss) (attach Schedule D (Form 1120S)) .....	8a
b	Collectibles (28%) gain (loss) ..... <b>8b</b>	
c	Unrecaptured section 1250 gain (attach statement) ..... <b>8c</b>	
9	Net section 1231 gain (loss) (attach Form 4797) .....	9
10	Other income (loss) (see instructions) .....	10

SPSA0112 12/08/05

Form 1120S (2005)

CONFIDENTIAL

DMC 05499

Form 1120S (2005) DIRECT MARKETING CONCEPTS, INC.

04-3564332

Page 3

Shareholders' Pro Rata Share Items (continued)		Total amount
Deductions	11 Section 179 deduction (attach Form 4562) .....	11
	12a Contributions ..... VARIOUS LOCAL CHARITIES .....	12a 2,356.
	b Investment interest expense .....	12b
	c Section 59(e)(2) expenditures (1) Type ▶ ..... (2) Amount ▶ .....	12c (2)
	d Other deductions (see instructions) ... Type ▶ .....	12d
Credits and Credit Recapture	13a Low-income housing credit (section 42(j)(5)) .....	13a
	b Low-income housing credit (other) .....	13b
	c Qualified rehabilitation expenditures (rental real estate) (attach Form 3468) .....	13c
	d Other rental real estate credits (see instrs) Type ▶ .....	13d
	e Other rental credits (see instrs) Type ▶ .....	13e
	f Credit for alcohol used as fuel (attach Form 6478) .....	13f
	g Other credits and credit recapture (see instrs) Type ▶ .....	13g
Foreign Transactions	14a Name of country or U.S. possession .....	
	b Gross income from all sources .....	14b
	c Gross income sourced at shareholder level .....	14c
	Foreign gross income sourced at corporate level:	
	d Passive .....	14d
	e Listed categories (attach statement) .....	14e
	f General limitation .....	14f
	Deductions allocated and apportioned at shareholder level:	
	g Interest expense .....	14g
	h Other .....	14h
	Deductions allocated and apportioned at corporate level to foreign source income:	
	i Passive .....	14i
	j Listed categories (attach statement) .....	14j
	k General limitation .....	14k
	Other information:	
	l Total foreign taxes (check one): ▶ <input type="checkbox"/> Paid <input type="checkbox"/> Accrued .....	14l
	m Reduction in taxes available for credit (attach statement) .....	14m
n Other foreign tax information (attach statement) .....		
Alternative Minimum Tax (AMT) Items	15a Post-1986 depreciation adjustment .....	15a 43,426.
	b Adjusted gain or loss .....	15b
	c Depletion (other than oil and gas) .....	15c
	d Oil, gas, and geothermal properties — gross income .....	15d
	e Oil, gas, and geothermal properties — deductions .....	15e
	f Other AMT items (attach statement) .....	15f
Items Affecting Shareholder Basis	16a Tax-exempt interest income .....	16a
	b Other tax-exempt income .....	16b
	c Nondeductible expenses .....	16c 33,360.
	d Property distributions .....	16d 29,812.
	e Repayment of loans from shareholders .....	16e
Other Information	17a Investment income .....	17a
	b Investment expenses .....	17b
	c Dividend distributions paid from accumulated earnings and profits .....	17c 0.
	d Other items and amounts (attach statement) .....	
	e Income/loss reconciliation. (Required only if Schedule M-1 must be completed.) Combine the amounts on lines 1 through 10 in the far right column. From the result, subtract the sum of the amounts on lines 11 through 12d and lines 14i .....	17e 135,146.

BAA

Form 1120S (2005)

SPSA0134 12/15/05

CONFIDENTIAL

DMC 05500

Form 1120S (2005) DIRECT MARKETING CONCEPTS, INC.

04-3564332

Page 4

Note: The corporation is not required to complete Schedules L and M-1 if question 9 of Schedule B is answered 'Yes'.

Schedule L Balance Sheets per Books		Beginning of tax year		End of tax year	
Assets		(a)	(b)	(c)	(d)
1	Cash .....		374,823.		292,725.
2a	Trade notes and accounts receivable .....	28,839.		44,167.	
b	Less allowance for bad debts .....		28,839.		44,167.
3	Inventories .....		1,620,778.		905,410.
4	U.S. government obligations .....				
5	Tax-exempt securities .....				
6	Other current assets (attach stmt) Ln. 6. St. ....		0.		25,000.
7	Loans to shareholders .....				
8	Mortgage and real estate loans .....				
9	Other investments (attach statement) .....				
10a	Buildings and other depreciable assets .....	924,564.		2,520,595.	
b	Less accumulated depreciation .....	596,001.	328,563.	875,346.	1,645,249.
11a	Depletable assets .....				
b	Less accumulated depletion .....				
12	Land (net of any amortization) .....				
13a	Intangible assets (amortizable only) .....	200.		200.	
b	Less accumulated amortization .....	142.	58.	182.	18.
14	Other assets (attach stmt) Ln. 14. St. ....		557,894.		640,763.
15	Total assets .....		2,910,955.		3,553,337.
<b>Liabilities and Shareholders' Equity</b>					
16	Accounts payable .....		2,735,858.		3,111,643.
17	Mortgages, notes, bonds payable in less than 1 year .....				
18	Other current liabilities (attach stmt) Ln. 18. St. ....		62,906.		11,229.
19	Loans from shareholders .....				
20	Mortgages, notes, bonds payable in 1 year or more .....		91,398.		337,698.
21	Other liabilities (attach statement) .....				
22	Capital stock .....		200.		200.
23	Additional paid-in capital .....				
24	Retained earnings .....		20,593.		92,567.
25	Adjustments to shareholders' equity (att stmt) .....				
26	Less cost of treasury stock .....				
27	Total liabilities and shareholders' equity .....		2,910,955.		3,553,337.

Schedule M-1 Reconciliation of Income (Loss) per Books With Income (Loss) per Return				
1	Net income (loss) per books .....	101,786.	5	Income recorded on books this year not included on Schedule K, lines 1 through 10 (itemize):
2	Income included on Schedule K, lines 1, 2, 3c, 4, 5a, 6, 7, 8a, 9, and 10, not recorded on books this year (itemize):		a	Tax-exempt interest \$ .....
3	Expenses recorded on books this year not included on Schedule K, lines 1 through 12, and 14l (itemize):		6	Deductions included on Schedule K, lines 1 through 12, and 14l, not charged against book income this year (itemize):
a	Depreciation .....		a	Depreciation .... \$ .....
b	Travel and entertainment \$ .....	23,339.	7	Add lines 5 and 6 .....
* STMT	10,021.	33,360.	8	Income (loss) (Schedule K, ln 17e). Ln 4 less ln 7 ..
4	Add lines 1 through 3 .....	135,146.		135,146.

**Schedule M-2 Analysis of Accumulated Adjustments Account, Other Adjustments Account, and Shareholders' Undistributed Taxable Income Previously Taxed** (see instructions)

	(a) Accumulated adjustments account	(b) Other adjustments account	(c) Shareholders' undistributed taxable income previously taxed
1 Balance at beginning of tax year .....	16,470.	0.	0.
2 Ordinary income from page 1, line 21 .....	137,502.		
3 Other additions .....			
4 Loss from page 1, line 21 .....			
5 Other reductions * STMT .....	35,716.		
6 Combine lines 1 through 5 .....	118,256.	0.	0.
7 Distributions other than dividend distributions .....	29,812.	0.	0.
8 Balance at end of tax year. Subtract line 7 from line 6 .....	88,444.	0.	0.

SPSA0134 12/15/05

Form 1120S (2005)

CONFIDENTIAL

DMC 05501

OMB No. 1545-0172

Form **4562**

(Rev. January 2006)

Department of the Treasury  
Internal Revenue Service**Depreciation and Amortization**  
(Including information on Listed Property)

▶ See separate instructions. ▶ Attach to your tax return.

**2005**Attachment  
Sequence No. **67**

Name(s) shown on return

**DIRECT MARKETING CONCEPTS, INC.**

Identifying number

**04-3564332**

Business or activity to which this form relates

Form 1120S Line 21

**Part I Election To Expense Certain Property Under Section 179**

Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount. See the instructions for a higher limit for certain businesses .....	1	\$105,000.
2	Total cost of section 179 property placed in service (see instructions) .....	2	
3	Threshold cost of section 179 property before reduction in limitation .....	3	\$420,000.
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0- .....	4	
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions .....	5	
6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
7	Listed property. Enter the amount from line 29 .....	7	
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 .....	8	
9	Alternative deduction. Enter the smaller of line 5 or line 8 .....	9	
10	Carryover of disallowed deduction from line 13 of your 2004 Form 4562 .....	10	
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5 (see instrs) ....	11	
12	Section 179 expense deduction. Add lines 9 and 10, but do not enter more than line 11 .....	12	
13	Carryover of disallowed deduction to 2006. Add lines 9 and 10, less line 12 .....	13	

Note: Do not use Part II or Part III below for listed property. Instead, use Part V.

**Part II Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)

14	Special allowance for certain aircraft, certain property with a long production period, and qualified New York Liberty or GO Zone property (other than listed property) placed in service during the tax year (see instrs) .....	14	
15	Property subject to section 168(f)(1) election .....	15	
16	Other depreciation (including ACRS) .....	16	21,680.

**Part III MACRS Depreciation (Do not include listed property.)** (See instructions.)**Section A**

17	MACRS deductions for assets placed in service in tax years beginning before 2005 .....	17	68,847.
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here .....		

**Section B — Assets Placed in Service During 2005 Tax Year Using the General Depreciation System**

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only — see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property .....						
b 5-year property .....		157,042.	5.0 yrs	HY	200DB	31,408.
c 7-year property .....		903,557.	7.0 yrs	HY	200DB	129,079.
d 10-year property .....						
e 15-year property .....						
f 20-year property .....						
g 25-year property .....			25 yrs		S/L	
h Residential rental property .....			27.5 yrs	MM	S/L	
i Nonresidential real property .....	06/05	535,432.	39 yrs	MM	S/L	7,437.

**Section C — Assets Placed in Service During 2005 Tax Year Using the Alternative Depreciation System**

20a Class life .....					S/L	
b 12-year .....			12 yrs		S/L	
c 40-year .....			40 yrs	MM	S/L	

**Part IV Summary** (see instructions)

21	Listed property. Enter amount from line 28 .....	21	20,877.
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations — see instructions .....	22	279,328.
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs .....	23	

BAA For Paperwork Reduction Act Notice, see separate instructions.

FDIZ0812 12/29/05

Form 4562 (2005) (Rev 1-2006)

CONFIDENTIAL

DMC 05502

Form 4562 (2005) (Rev 1-2006) DIRECT MARKETING CONCEPTS, INC.

04-3564332

Page 2

**Part V Listed Property** (Include automobiles, certain other vehicles, cellular telephones, certain computers, and property used for entertainment, recreation, or amusement.)

**Note:** For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete **only** 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

**Section A — Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)**

24 a Do you have evidence to support the business/investment use claimed? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No									24 b If 'Yes,' is the evidence written? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost		
25 Special allowance for certain aircraft, certain property with a long production period, and qualified New York Liberty or GO Zone property placed in service during the tax year and used more than 50% in a qualified business use (see instructions) .....								25		
26 Property used more than 50% in a qualified business use:										
AUTOMOBILE	08/01/02	90.00	51,155.	39,146.	5.00	200DB/HY	1,598.			
AUTOMOBILE	03/01/02	90.00	27,160.	17,550.	5.00	200DB/HY	1,598.			
* STMT							17,681.			
27 Property used 50% or less in a qualified business use:										
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 .....								28	20,877.	
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 .....								29		

**Section B — Information on Use of Vehicles**

Complete this section for vehicles used by a sole proprietor, partner, or other 'more than 5% owner,' or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

	(a) Vehicle 1		(b) Vehicle 2		(c) Vehicle 3		(d) Vehicle 4		(e) Vehicle 5		(f) Vehicle 6	
30 Total business/investment miles driven during the year (do not include commuting miles) .....												
31 Total commuting miles driven during the year .....												
32 Total other personal (noncommuting) miles driven .....												
33 Total miles driven during the year. Add lines 30 through 32 .....												
	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
34 Was the vehicle available for personal use during off-duty hours? .....	X		X									
35 Was the vehicle used primarily by a more than 5% owner or related person? .....	X		X									
36 Is another vehicle available for personal use? .....	X		X									

**Section C — Questions for Employers Who Provide Vehicles for Use by Their Employees**

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who are not more than 5% owners or related persons (see instructions).

	Yes	No
37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? .....		
38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners .....		
39 Do you treat all use of vehicles by employees as personal use? .....		
40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? .....		
41 Do you meet the requirements concerning qualified automobile demonstration use? (See instructions) .....		
<b>Note:</b> If your answer to 37, 38, 39, 40, or 41 is 'Yes,' do not complete Section B for the covered vehicles.		

**Part VI Amortization**

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2005 tax year (see instructions):					
43 Amortization of costs that began before your 2005 tax year .....				43	40.
44 Total. Add amounts in column (f). See instructions for where to report .....				44	40.

FDIZ0812 12/29/05

Form 4562 (2005) (Rev 1-2006)

CONFIDENTIAL

DMC 05503

Form **7004**(Rev. December 2005)  
Department of the Treasury  
Internal Revenue Service**Application for Automatic 6-Month Extension of Time To File  
Certain Business Income Tax, Information, and Other Returns**

OMB No. 1545-0233

► File a separate application for each return.

**Type or  
Print**

Name

Taxpayer identification number

DIRECT MARKETING CONCEPTS, INC.

04-3564332

Number, street, and room or suite number. If P.O. box, see instructions.

55 CHERRY HILL DRIVE

City, town, state, and ZIP code (If a foreign address, enter city, province or state, and country (follow the country's practice for entering postal code).)

BEVERLY

MA 01915-1068

**Caution: Carefully complete all items. Incorrect information may cause delay or rejection.**

- 1 Enter only one code for type of return form that this automatic 6-month extension is for (see below) ..... 25
- 2 If the foreign corporation does not have an office or place of business in the United States, check here ..... ☐
- 3 If the organization qualifies under Regulations section 1.6081-5 (see instructions), check here ..... ☐
- 4a For calendar year 2005, or other tax year beginning \_\_\_\_\_, 20\_\_\_\_, and ending \_\_\_\_\_, 20\_\_\_\_
- b Short tax year.** If this tax year is less than 12 months, check the reason:  
☐ Initial return    ☐ Final return    ☐ Change in accounting period    ☐ Consolidated return to be filed
- 5 If the organization is a corporation and is the common parent of a group that intends to file consolidated, check here ..... ☐  
Also, you must attach a schedule, listing the name, address, and EIN for each member covered by this extension.
- 6 Tentative total tax (see instructions) ..... 6 ..... 0.
- 7 Total payments and credits (see instructions) ..... 7 ..... 0.
- 8 Balance due. Subtract line 7 from line 6. Generally, you must deposit this amount using the Electronic Federal Tax Payment System (EFTPS), a Federal Tax Deposit (FTD) Coupon, or Electronic Funds Withdrawal (EFW) (see instructions for exceptions) ..... 8 ..... 0.

Extension Is For:	Form Code	Extension Is For:	Form Code
Form 706-GS(D)	01	Form 1120-L	18
Form 706-GS(T)	02	Form 1120-ND	19
Form 990-C	03	Form 1120-ND (section 4951 taxes)	20
Form 1041 (estate)	04	Form 1120-PC	21
Form 1041 (trust)	05	Form 1120-POL	22
Form 1041-N	06	Form 1120-REIT	23
Form 1041-QFT	07	Form 1120-RIC	24
Form 1042	08	Form 1120-S	25
Form 1065	09	Form 1120-SF	26
Form 1065-B	10	Form 3520-A	27
Form 1066	11	Form 8612	28
Form 1120	12	Form 8615	29
Form 1120 (subchapter S cooperative)	13	Form 8725	30
Form 1120-A	14	Form 8804	31
Form 1120-E	15	Form 8831	32
Form 1120-FSC	16	Form 8876	33
Form 1120-H	17		

BAA For Paperwork Reduction Act Notice, see separate instructions.

Form 7004 (Rev 12-2005)

CPC20701 12/08/05

DMC 05504

**CONFIDENTIAL**

671105

OMB No. 1545-0130

Schedule K-1  
(Form 1120S)

2005

☐ Final K-1☐ Amended K-1Department of the Treasury  
Internal Revenue Service

For calendar year 2005, or tax

year beginning \_\_\_\_\_, 2005  
ending \_\_\_\_\_, \_\_\_\_\_Shareholder's Share of Income, Deductions,  
Credits, etc. ▶ See page 2 of form and separate instructions.**Part I** Information About the Corporation**A** Corporation's employer identification number  
04-3564332**B** Corporation's name, address, city, state, and ZIP code  
DIRECT MARKETING CONCEPTS, INC.  
55 CHERRY HILL DRIVE  
BEVERLY, MA 01915-1068**C** IRS Center where corporation filed return  
Cincinnati, OH 45999-0013**D** ☐ Tax shelter registration number, if any \_\_\_\_\_**E** ☐ Check if Form 8271 is attached**Part II** Information About the Shareholder**F** Shareholder's identifying number  
013-44-7291**G** Shareholder's name, address, city, state, and ZIP code  
ROBERT A. MAIHOS  
115 MILL STREET  
MIDDLETON, MA 01949-1998**H** Shareholder's percentage of stock  
ownership for tax year ..... 50.00000 %FOR  
IRS  
USE  
ONLY**Part III** Shareholder's Share of Current Year Income,  
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	13	Credits & credit recapture
	68,751.		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
		A	21,713.
11	Section 179 deduction	16	Items affecting shareholder basis
		C	16,680.
12	Other deductions		
A	1,178.	D	14,906.
		17	Other information

\*See attached statement for additional information.

BAA For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2005

SPSA0412 12/08/05

CONFIDENTIAL

DMC 05505

## Schedule K-1 (Form 1120S) 2005 DIRECT MARKETING CONCEPTS, INC.

04-3564332

Page 2

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

	Code	Enter on
<b>1 Ordinary business income (loss).</b> You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:		
Passive loss	Enter on	
Passive income	See the Shareholder's Instructions	
Nonpassive loss	Schedule E, line 28, column (g)	
Nonpassive income	Schedule E, line 28, column (h)	
<b>2 Net rental real estate income (loss)</b>	See the Shareholder's Instructions	
<b>3 Other net rental income (loss)</b>		
Net income	Schedule E, line 28, column (g)	
Net loss	See the Shareholder's Instructions	
<b>4 Interest income</b>	Form 1040, line 8a	
<b>5a Ordinary dividends</b>	Form 1040, line 9a	
<b>5b Qualified dividends</b>	Form 1040, line 9b	
<b>6 Royalties</b>	Schedule E, line 4	
<b>7 Net short-term capital gain (loss)</b>	Schedule D, line 5, column (f)	
<b>8a Net long-term capital gain (loss)</b>	Schedule D, line 12, column (f)	
<b>8b Collectibles (28%) gain (loss)</b>	28% Rate Gain Worksheet, line 4 (Schedule D instructions)	
<b>8c Unrecaptured section 1250 gain</b>	See the Shareholder's Instructions	
<b>9 Net section 1231 gain (loss)</b>	See the Shareholder's Instructions	
<b>10 Other income (loss)</b>		
Code		
A Other portfolio income (loss)	See the Shareholder's Instructions	
B Involuntary conversions	See the Shareholder's Instructions	
C 1256 contracts and straddles	Form 6781, line 1	
D Mining exploration costs recapture	See Pub 535	
E Other income (loss)	See the Shareholder's Instructions	
<b>11 Section 179 deduction</b>	See the Shareholder's Instructions	
<b>12 Other deductions</b>		
A Cash contributions (50%)	Schedule A, line 15a	
B Cash contributions (30%)	Schedule A, line 15a	
C Noncash contributions (50%)	Schedule A, line 16	
D Noncash contributions (30%)	Schedule A, line 16	
E Capital gain property to a 50% organization (30%)	Schedule A, line 16	
F Capital gain property (20%)	Schedule A, line 16	
G Cash contributions (100%)	See the Shareholder's Instructions	
H Investment interest expense	Form 4952, line 1	
I Deductions — royalty income	Schedule E, line 18	
J Section 59(e)(2) expenditures	See the Shareholder's Instructions	
K Deductions — portfolio (2% floor)	Schedule A, line 22	
L Deductions — portfolio (other)	Schedule A, line 27	
M Reforestation expense deduction	See the Shareholder's Instructions	
N Preproductive period expenses	See the Shareholder's Instructions	
O Commercial revitalization deduction from rental real estate activities	See Form 8582 instructions	
P Domestic production activities information	See Form 8903 Instructions	
Q Qualified production activities income	Form 8903, line 7	
R Employer's W-2 wages	Form 8903, line 13	
S Other deductions	See the Shareholder's Instructions	
<b>13 Credits and credit recapture</b>		
A Low-income housing credit (section 42(i)(5))	Form 8586, line 4	
B Low-income housing credit (other)	Form 8586, line 4	
C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1	
D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1	
E Basis of energy property	See the Shareholder's Instructions	
F Other rental real estate credits	See the Shareholder's Instructions	
G Other rental credits	See the Shareholder's Instructions	
H Undistributed capital gains credit	Form 1040, line 70, box a	
I Credit for alcohol used as fuel	Form 6478, line 4	
J Work opportunity credit	Form 5884, line 3	
K Welfare-to-work credit	Form 8861, line 3	
L Disabled access credit	Form 8826, line 7	
<b>14 Foreign transactions</b>		
A Name of country or U.S. possession	Form 1116, Part I	
B Gross income from all sources	Form 1116, Part I	
C Gross income sourced at shareholder level	Form 1116, Part I	
<b>Foreign gross income sourced at corporate level</b>		
D Passive	Form 1116, Part I	
E Listed categories	Form 1116, Part I	
F General limitation	Form 1116, Part I	
<b>Deductions allocated and apportioned at shareholder level</b>		
G Interest expense	Form 1116, Part I	
H Other	Form 1116, Part I	
<b>Deductions allocated and apportioned at corporate level to foreign source income</b>		
I Passive	Form 1116, Part I	
J Listed categories	Form 1116, Part I	
K General limitation	Form 1116, Part I	
<b>Other information</b>		
L Total foreign taxes paid	Form 1116, Part II	
M Total foreign taxes accrued	Form 1116, Part II	
N Reduction in taxes available for credit	Form 1116, line 12	
O Foreign trading gross receipts	Form 8873	
P Extraterritorial income exclusion	Form 8873	
Q Other foreign transactions	See the Shareholder's Instructions	
<b>15 Alternative minimum tax (AMT) items</b>		
A Post-1986 depreciation adjustment	See the Shareholder's Instructions and the instructions for Form 6251	
B Adjusted gain or loss		
C Depletion (other than oil & gas)		
D Oil, gas, & geothermal — gross income		
E Oil, gas, & geothermal — deductions		
F Other AMT items		
<b>16 Items affecting shareholder basis</b>		
A Tax-exempt interest income	Form 1040, line 8b	
B Other tax-exempt income	See the Shareholder's Instructions	
C Nondeductible expenses	See the Shareholder's Instructions	
D Property distributions	See the Shareholder's Instructions	
E Repayment of loans from shareholders	See the Shareholder's Instructions	
<b>17 Other information</b>		
A Investment income	Form 4952, line 4a	
B Investment expenses	Form 4952, line 5	
C Look-back interest — completed long-term contracts	See Form 8697	
D Look-back interest — income forecast method	See Form 8866	
E Dispositions of property with section 179 deductions	See the Shareholder's Instructions	
F Recapture of section 179 deduction		
G Section 453(l)(3) information		
H Section 453A(c) information		
I Section 1260(b) information		
J Interest allocable to production expenditures		
K CCF nonqualified withdrawal		
L Information needed to figure depletion — oil and gas		
M Amortization of reforestation costs		
N Other information		

SPSA0412 12/08/05

Schedule K-1 (Form 1120S) 2005

CONFIDENTIAL

DMC 05506

671105

Schedule K-1  
(Form 1120S)

2005

☐ Final K-1☐ Amended K-1

OMB No. 1545-0130

Department of the Treasury  
Internal Revenue Service

For calendar year 2005, or tax

year beginning \_\_\_\_\_, 2005

ending \_\_\_\_\_, \_\_\_\_\_

Shareholder's Share of Income, Deductions,  
Credits, etc. ▶ See page 2 of form and separate instructions.**Part I** Information About the CorporationA Corporation's employer identification number  
04-3564332B Corporation's name, address, city, state, and ZIP code  
DIRECT MARKETING CONCEPTS, INC.  
55 CHERRY HILL DRIVE  
BEVERLY, MA 01915-1068C IRS Center where corporation filed return  
Cincinnati, OH 45299-0013D ☐ Tax shelter registration number, if any \_\_\_\_\_E ☐ Check if Form 8271 is attached**Part II** Information About the ShareholderF Shareholder's identifying number  
029-54-7612G Shareholder's name, address, city, state, and ZIP code  
DONALD W. BARRETT, JR.  
9 TALL TREE DRIVE  
BEVERLY, MA 01915H Shareholder's percentage of stock  
ownership for tax year ..... 50.00000 %FOR  
IRS  
USE  
ONLY**Part III** Shareholder's Share of Current Year Income,  
Deductions, Credits, and Other Items

1	Ordinary business income (loss)	13	Credits & credit recapture
	68,751.		
2	Net rental real estate income (loss)		
3	Other net rental income (loss)		
4	Interest income		
5a	Ordinary dividends		
5b	Qualified dividends	14	Foreign transactions
6	Royalties		
7	Net short-term capital gain (loss)		
8a	Net long-term capital gain (loss)		
8b	Collectibles (28%) gain (loss)		
8c	Unrecaptured section 1250 gain		
9	Net section 1231 gain (loss)		
10	Other income (loss)	15	Alternative minimum tax (AMT) items
		A	21,713.
11	Section 179 deduction	16	Items affecting shareholder basis
		C	16,680.
12	Other deductions		
A	1,178.	D	14,906.
		17	Other information

\*See attached statement for additional information.

BAA For Privacy Act and Paperwork Reduction Act Notice, see Instructions for Form 1120S.

Schedule K-1 (Form 1120S) 2005

SPSA0412 12/08/05

CONFIDENTIAL

DMC 05507

## Schedule K-1 (Form 1120S) 2005 DIRECT MARKETING CONCEPTS, INC.

04-3564332

Page 2

This list identifies the codes used on Schedule K-1 for all shareholders and provides summarized reporting information for shareholders who file Form 1040. For detailed reporting and filing information, see the separate Shareholder's Instructions for Schedule K-1 and the instructions for your income tax return.

	Code	Enter on
<b>1 Ordinary business income (loss).</b> You must first determine whether the income (loss) is passive or nonpassive. Then enter on your return as follows:		
Passive loss	See the Shareholder's Instructions	
Passive income	Schedule E, line 28, column (g)	
Nonpassive loss	Schedule E, line 28, column (h)	
Nonpassive income	Schedule E, line 28, column (i)	
<b>2 Net rental real estate income (loss)</b>	See the Shareholder's Instructions	
<b>3 Other net rental income (loss)</b>		
Net income	Schedule E, line 28, column (g)	
Net loss	See the Shareholder's Instructions	
<b>4 Interest income</b>	Form 1040, line 8a	
<b>5a Ordinary dividends</b>	Form 1040, line 9a	
<b>5b Qualified dividends</b>	Form 1040, line 9b	
<b>6 Royalties</b>	Schedule E, line 4	
<b>7 Net short-term capital gain (loss)</b>	Schedule D, line 5, column (f)	
<b>8a Net long-term capital gain (loss)</b>	Schedule D, line 12, column (f)	
<b>8b Collectibles (28%) gain (loss)</b>	28% Rate Gain Worksheet, line 4 (Schedule D instructions)	
<b>8c Unrecaptured section 1250 gain</b>	See the Shareholder's Instructions	
<b>9 Net section 1231 gain (loss)</b>	See the Shareholder's Instructions	
<b>10 Other income (loss)</b>		
Code		
A Other portfolio income (loss)	See the Shareholder's Instructions	
B Involuntary conversions	See the Shareholder's Instructions	
C 1256 contracts and straddles	Form 6781, line 1	
D Mining exploration costs recapture	See Pub 535	
E Other income (loss)	See the Shareholder's Instructions	
<b>11 Section 179 deduction</b>	See the Shareholder's Instructions	
<b>12 Other deductions</b>		
A Cash contributions (50%)	Schedule A, line 15a	
B Cash contributions (30%)	Schedule A, line 15a	
C Noncash contributions (50%)	Schedule A, line 16	
D Noncash contributions (30%)	Schedule A, line 16	
E Capital gain property to a 50% organization (30%)	Schedule A, line 16	
F Capital gain property (20%)	Schedule A, line 16	
G Cash contributions (100%)	See the Shareholder's Instructions	
H Investment interest expense	Form 4952, line 1	
I Deductions — royalty income	Schedule E, line 18	
J Section 59(e)(2) expenditures	See the Shareholder's Instructions	
K Deductions — portfolio (2% floor)	Schedule A, line 22	
L Deductions — portfolio (other)	Schedule A, line 27	
M Reforestation expense deduction	See the Shareholder's Instructions	
N Preproductive period expenses	See the Shareholder's Instructions	
O Commercial revitalization deduction from rental real estate activities	See Form 8582 Instructions	
P Domestic production activities information	See Form 8903 Instructions	
Q Qualified production activities income	Form 8903, line 7	
R Employer's W-2 wages	Form 8903, line 13	
S Other deductions	See the Shareholder's Instructions	
<b>13 Credits and credit recapture</b>		
A Low-income housing credit (section 42(j)(5))	Form 8586, line 4	
B Low-income housing credit (other)	Form 8586, line 4	
C Qualified rehabilitation expenditures (rental real estate)	Form 3468, line 1	
D Qualified rehabilitation expenditures (other than rental real estate)	Form 3468, line 1	
E Basis of energy property	See the Shareholder's Instructions	
F Other rental real estate credits	See the Shareholder's Instructions	
G Other rental credits	See the Shareholder's Instructions	
H Undistributed capital gains credit	Form 1040, line 70, box a	
I Credit for alcohol used as fuel	Form 6478, line 4	
J Work opportunity credit	Form 5884, line 3	
K Welfare-to-work credit	Form 8861, line 3	
L Disabled access credit	Form 8826, line 7	
<b>M Empowerment zone and renewal community employment credit</b>	Form 8844, line 3	
<b>N Credit for increasing research activities</b>	Form 6765, line 42	
<b>O New markets credit</b>	Form 8874, line 2	
<b>P Credit for employer social security and Medicare taxes</b>	Form 8846, line 5	
<b>Q Backup withholding</b>	Form 1040, line 64	
<b>R Recapture of low-income housing credit (section 42(j)(5))</b>	Form 8611, line 8	
<b>S Recapture of low-income housing credit (other)</b>	Form 8611, line 8	
<b>T Recapture of investment credit</b>	See Form 4255	
<b>U Other credits</b>	See the Shareholder's Instructions	
<b>V Recapture of other credits</b>	See the Shareholder's Instructions	
<b>14 Foreign transactions</b>		
A Name of country or U.S. possession	Form 1116, Part I	
B Gross income from all sources	Form 1116, Part I	
C Gross income sourced at shareholder level	Form 1116, Part I	
<b>Foreign gross income sourced at corporate level</b>		
D Passive	Form 1116, Part I	
E Listed categories	Form 1116, Part I	
F General limitation	Form 1116, Part I	
<b>Deductions allocated and apportioned at shareholder level</b>		
G Interest expense	Form 1116, Part I	
H Other	Form 1116, Part I	
<b>Deductions allocated and apportioned at corporate level to foreign source income</b>		
I Passive	Form 1116, Part I	
J Listed categories	Form 1116, Part I	
K General limitation	Form 1116, Part I	
<b>Other information</b>		
L Total foreign taxes paid	Form 1116, Part II	
M Total foreign taxes accrued	Form 1116, Part II	
N Reduction in taxes available for credit	Form 1116, line 12	
O Foreign trading gross receipts	Form 8873	
P Extraterritorial income exclusion	Form 8873	
Q Other foreign transactions	See the Shareholder's Instructions	
<b>15 Alternative minimum tax (AMT) items</b>		
A Post-1986 depreciation adjustment		
B Adjusted gain or loss		
C Depletion (other than oil & gas)		
D Oil, gas, & geothermal — gross income		
E Oil, gas, & geothermal — deductions		
F Other AMT items		
<b>16 Items affecting shareholder basis</b>		
A Tax-exempt interest income	Form 1040, line 8b	
B Other tax-exempt income	See the Shareholder's Instructions	
C Nondeductible expenses	See the Shareholder's Instructions	
D Property distributions	See the Shareholder's Instructions	
E Repayment of loans from shareholders	See the Shareholder's Instructions	
<b>17 Other information</b>		
A Investment income	Form 4952, line 4a	
B Investment expenses	Form 4952, line 5	
C Look-back interest — completed long-term contracts	See Form 8697	
D Look-back interest — income forecast method	See Form 8866	
E Dispositions of property with section 179 deductions		
F Recapture of section 179 deduction		
G Section 453(f)(3) information		
H Section 453A(c) information		
I Section 1260(b) information		
J Interest allocable to production expenditures		
K CCF nonqualified withdrawal		
L Information needed to figure depletion — oil and gas		
M Amortization of reforestation costs		
N Other information		

SPSA0412 12/08/05

Schedule K-1 (Form 1120S) 2005

CONFIDENTIAL

DMC 05508

**S Corporation Information Worksheet****2005**

► Keep for your records

**Part I – Identifying Information**

Employer Identification Number ... 04-3564332 Date Incorporated ..... 06/12/2001  
 Name ..... DIRECT MARKETING CONCEPTS, INC.  
 Doing Business As .....  
 Address ..... 55 CHERRY HILL DRIVE  
 City ..... BEVERLY State MA ZIP Code 01915-1068  
 Telephone Number ..... (978) 299-2202 Extension .....  
 Fax Number ..... E-Mail Address .....  
 Tax Shelter Registration Number .....

If eligible for hurricane tax relief legislation benefits, check here ..... ► ☐

**Part II – Tax Year and Filing Information**

☒ Calendar year  
☐ Fiscal year – Ending month .....  
☐ Short year – Beginning date ..... Ending date .....  
☒ Check if enrolled in the Electronic Federal Tax Payment System (EFTPS)  
 IRS Service Center where S Corporation return is filed ..... Cincinnati, OH 45999-0013

**Part III – 2005 1120S Corporation Estimated Tax Paid**

Amount of 2004 overpayment credited to 2005 estimated tax .....			
Payment Quarters	Due Date	Date Paid	Amount Paid
First Quarter Payment .....	<u>04/15/05</u>		
Second Quarter Payment .....	<u>06/15/05</u>		
Third Quarter Payment .....	<u>09/15/05</u>		
Fourth Quarter Payment .....	<u>12/15/05</u>		
Additional Payment 1			
Additional Payment 2			
Additional Payment 3			
Additional Payment 4			

**Part IV – K-1 Information****K-1 Rounding Options**

- ☒ Distribute the rounding difference to shareholder with the largest percentage.  
☐ Distribute the rounding difference among shareholders.  
☐ Do not distribute the rounding difference to any shareholder.

**Print Schedules K-1 with tax return?**

- ☒ Yes  
☐ No

**Include page 2 of Schedules K-1 (codes and descriptions) with tax return?**

- ☒ Yes  
☐ No

**CONFIDENTIAL****DMC 05509**

DIRECT MARKETING CONCEPTS, INC.

04-3564332 Page 2

**Part V – Electronic Filing Information****Electronic Filing:**

Check this box to file the federal return electronically ..... ☐

Check this box to file the state(s) electronically ..... ☒

\* Select the state or states to file electronically.  
Multiple states can be entered.

State(s) *
MA

**Practitioner PIN program:**

Check this box to sign this return electronically using the Practitioner PIN ..... ☐

ERO entered PIN ..... ☐

Officer's PIN (enter any 5 numbers) .....

Date PIN entered .....

**Electronic Filing of Extensions:**

Check this box to file **Form 7004** (application for extension of time to file return) electronically ..... ☐

Check this box to file the Massachusetts Form 355-7004 (first extension of time to file) electronically ... ☒

**Information required for Electronic Filing:**

Officer's Name ..... ROBERT MAIHOS

**QuickZoom** to the Electronic Filing Information Worksheet ..... 

**Part VI – Direct Deposit or Electronic Funds Withdrawal Information**

Does client want to use **direct deposit** of any **federal tax refund**? ..... ☐ Yes ☐ No

Does client want to use **electronic funds withdrawal** of **federal balance due** (EF only)? ..... ☐ Yes ☐ No

Does client want to use **electronic funds withdrawal** of **Form 7004 balance due** (EF only)? ..... ☐ Yes ☐ No

If you selected any of the options above, fill out the information below:

**(Be sure to review transferred information for accuracy.)**

Name of Financial Institution (optional) .....

Check the appropriate box ..... ☐ Checking ☐ Savings

Routing number .....  Account number .....

Enter the payment date to withdraw tax payment .....

Balance due amount from this return .....

Enter an amount to withdraw tax payment .....

If partial payment is made, the remaining balance due .....

**QuickZoom** here to Form 1120S, Pages 1 and 2 ..... 

**QuickZoom** here to Schedule K-1 Worksheet ..... 

**QuickZoom** here to Client Status ..... 

SPSW3501.SCR 01/02/06

CONFIDENTIAL

DMC 05510

Form 1120S  
Page 1, Line 19Other Deductions Worksheet  
► Keep for your records

2005

Name DIRECT MARKETING CONCEPTS, INC.		Employer Identification No. 04-3564332
1	Accounting .....	1
2	Amortization .....	2
3	Automobile and truck expense .....	3
4	Bank charges .....	4
5	Clean fuel vehicle deduction .....	5
6	Commissions .....	6
7	Credit and collection costs .....	7
8	Delivery and freight .....	8
9	Discounts .....	9
10	Dues and subscriptions .....	10
11	Equipment rent .....	11
12	Gifts .....	12
13	Insurance .....	13
14	Janitorial .....	14
15	Laundry and cleaning .....	15
16	Legal and professional .....	16
17 a	Meals and entertainment, subject to 50% limit .....	17 a
b	Meals and entertainment, subject to 70% limit .....	b
c	Meals and entertainment, allowed at 100% .....	c
d	Less disallowed .....	d
e	Meals and entertainment, net .....	17 e
18	Miscellaneous .....	18
19	Office expense .....	19
20	Outside services/independent contractors .....	20
21	Parking fees and tolls .....	21
22	Permits and fees .....	22
23	Postage .....	23
24	Printing .....	24
25	Security .....	25
26	Supplies .....	26
27	Telephone .....	27
28	Tools .....	28
29	Travel .....	29
30	Uniforms .....	30
31	Utilities .....	31
32	Total farm expenses (Schedule F, Line 35) .....	32
33	Other (itemize):	33
	CALL CENTER PHONES AND T1'S	
	INFORMATION TECHNOLOGY EXPENSES	
	INFOMERCIAL PRODUCTION COSTS	
	RUBBISH REMOVAL	
	STORAGE	
	LANDSCAPING AND SNOW REMOVAL	
	CREDIT CARD PROCESSING AND DISCOUNTS	
	ROYALTIES	
	STAFFING AND LICENSING	
	SALES INCENTIVES	
	MOVING EXPENSE	
	MEDIA PLACEMENT	
34	Total to Form 1120S, page 1, line 19 .....	34

CONFIDENTIAL

► Keep for your records

Name DIRECT MARKETING CONCEPTS, INC.	Employer Identification No. 04-3564332
---	---

Income Items:	Per Books	Per Tax Return	Difference (Book - Tax)
<b>Description</b>			
<i>Permanent items (tax-exempt income):</i>			
Tax-exempt interest — in state .....			
Tax-exempt interest — out of state .....			
Life insurance proceeds .....			
Other permanent income items:			
.....			
.....			
Gain (Loss) on disposition of Section 179 assets .....			
Alcohol used as fuel credit included in income .....			
<i>Timing (temporary) items:</i>			
Unearned rent income .....			
Unearned income .....			
Gain on sale of assets .....			
Installment sale income .....			
Fuels tax credit included in income .....			
Other timing income items:			
.....			
.....			
Total .....			
<b>Expense Items:</b>	<b>Per Books</b>	<b>Per Tax Return</b>	<b>Difference (Tax - Book)</b>
<b>Description</b>			
<i>Permanent items (nondeductible expenses):</i>			
Disallowed meals and entertainment .....	23,339.		-23,339.
Employment credits wage reduction .....			
Federal underpayment penalty .....			
State underpayment penalty .....			
Other fines and penalties .....	10,021.		-10,021.
Officers' life insurance premiums .....			
Interest paid to carry tax-exempt investments .....			
Payroll Taxes for Employer SS Tax on Tips Credit .....			
Other expenses related to tax-exempt income .....			
Other permanent expense items:			
.....			
.....			
Lease inclusion amount - enter as a negative .....			
<i>Timing (temporary) items:</i>			
Depreciation and Section 179 expense .....	279,328.	279,328.	0.
Amortization .....	40.	40.	0.
Depletion other than oil and gas .....			
Loss on sale of assets .....			
Organizational costs .....			
Bad debt expense .....			
Prepaid expenses .....			
Other timing expense items:			
.....			
.....			
Total .....	312,728.	279,368.	-33,360.

► Keep for your records

Name as Shown on Return  
DIRECT MARKETING CONCEPTS, INC.Employer Identification No.  
04-3564332

## Analysis of Retained Earnings Accounts

Description	Accumulated adjustments account	Other adjustments account	Shareholders' undistributed taxable income	Accumulated tax/book timing differences	Retained earnings while a C Corporation	Total
Balance at beginning of year ..	16470	0	0	0	0	16470
Ordinary income (loss) .....	137502					
Schedule K additions (Income/Gains):						
Schedule K reductions (Losses/Deductions):						
CHARITABLE CONTRIBUTIONS	-2356					
Income - Tax exempt .....						
Deductions - Exempt related .						
Schedule M-1 additions:						
Schedule M-1 reductions:						
MEALS AND ENTERTAINMENT	-23339					
FINES AND PENALTIES	-10021					
Net adjustment for year .....	101786					
Net income(loss) per books ...						101786
Subtotal .....	118256	0	0	0	0	118256
AAA without net negative adj. ....	118256					
Distributions .....	-29812	0	0	0	0	-29812
Dividends .....					0	0
Balance at end of tax year ....	88444	0	0	0	0	88444

Form 1120S

**Shareholder's Basis Statement****2005**

➤ Note to Shareholder: Keep for your records

Shareholder's name <b>ROBERT A. MAIHOS</b>	Identifying Number <b>013-44-7291</b>
Corporation's name <b>DIRECT MARKETING CONCEPTS, INC.</b>	Employer ID Number <b>04-3564332</b>

**Part I – Election**Special ordering election under Reg. Section 1.1367-1(g) has been made ..... ☐**Part II – Stock Basis**

1	Beginning of year stock basis .....	1	0.
2	Capital contributions .....	2	
3	Income items .....	3	68,751.
4	Add lines 1 through 3 .....	4	68,751.
5	Distributions (not to exceed line 4) .....	5	14,906.
6	Subtract line 5 from line 4 .....	6	53,845.
7	<input type="checkbox"/> Loss items (not to exceed line 6) or <input checked="" type="checkbox"/> Nondeductible expenses (not to exceed line 6) .....	7	26,486.
8	Subtract line 7 from line 6 .....	8	27,359.
9	<input type="checkbox"/> Nondeductible expenses (not to exceed line 8) or <input checked="" type="checkbox"/> Loss items (not to exceed line 8) .....	9	27,359.
10	Subtract line 9 from line 8 .....	10	0.
11	Loan basis restoration .....	11	0.
12	End of year stock basis (subtract line 11 from line 10) .....	12	0.

**Part III – Loan Balance**

13	Beginning of year loan balance .....	13	0.
14	Current year loans to corporation .....	14	
15	Loan repayments .....	15	
16	End of year loan balance .....	16	0.

**Part IV – Loan Basis**

17	Beginning of year loan basis .....	17	0.
18	Loan basis restoration .....	18	0.
19	Current year loans to corporation .....	19	
20	Add lines 17 through 19 .....	20	0.
21	Loan repayments in full ..... ➤ If reduced basis loan, portion allocated to income ..... ➤		
	<b>Note:</b> add above portion of loan repayment allocated to income to appropriate category of income, ordinary income, or long or short term capital gain on shareholder's return		
	Portion of loan repayment allocated to loan basis (not to exceed line 20) .....	21	0.
22	Subtract line 21 from line 20 .....	22	0.
23	<input type="checkbox"/> Excess loss items (not to exceed line 22) or <input checked="" type="checkbox"/> Excess nondeductible expense items (not to exceed line 22) .....	23	0.
24	Subtract line 23 from line 22 .....	24	0.
25	<input type="checkbox"/> Excess nondeductible expense items (not to exceed line 24) or <input checked="" type="checkbox"/> Excess loss items (not to exceed line 24) .....	25	0.
26	End of year loan basis (subtract line 25 from line 24) .....	26	0.

**Part V – Total Basis**

27	Total end of year stock basis and loan basis .....	27	0.
----	--	----	----

**CONFIDENTIAL**

DMC 05514

ROBERT A. MAIHOS

013-44-7291

Page 2

## Part VIII— Loss and Expense Items

## Part IX —Nondeductible Expense Items

SPSW6301.SCR 08/15/05

ROBERT A. MAIHOS

CONFIDENTIAL

Form 1120S

**Shareholder's Basis Statement****2005**

► Note to Shareholder: Keep for your records

Shareholder's name DONALD W. BARRETT, JR.	Identifying Number 029-54-7612
Corporation's name DIRECT MARKETING CONCEPTS, INC.	Employer ID Number 04-3564332

**Part I – Election**Special ordering election under Reg. Section 1.1367-1(g) has been made ..... ☐**Part II – Stock Basis**

1	Beginning of year stock basis .....	1	288,576.
2	Capital contributions .....	2	
3	Income items .....	3	68,751.
4	Add lines 1 through 3 .....	4	357,327.
5	Distributions (not to exceed line 4) .....	5	14,906.
6	Subtract line 5 from line 4 .....	6	342,421.
7	<input type="checkbox"/> Loss items (not to exceed line 6) or <input checked="" type="checkbox"/> Nondeductible expenses (not to exceed line 6) .....	7	16,680.
8	Subtract line 7 from line 6 .....	8	325,741.
9	<input type="checkbox"/> Nondeductible expenses (not to exceed line 8) or <input checked="" type="checkbox"/> Loss items (not to exceed line 8) .....	9	1,178.
10	Subtract line 9 from line 8 .....	10	324,563.
11	Loan basis restoration .....	11	0.
12	End of year stock basis (subtract line 11 from line 10) .....	12	324,563.

**Part III – Loan Balance**

13	Beginning of year loan balance .....	13	
14	Current year loans to corporation .....	14	
15	Loan repayments .....	15	
16	End of year loan balance .....	16	

**Part IV – Loan Basis**

17	Beginning of year loan basis .....	17	0.
18	Loan basis restoration .....	18	0.
19	Current year loans to corporation .....	19	
20	Add lines 17 through 19 .....	20	0.
21	Loan repayments in full ..... ► If reduced basis loan, portion allocated to income ..... ►		
<b>Note:</b> add above portion of loan repayment allocated to income to appropriate category of income, ordinary income, or long or short term capital gain on shareholder's return			
	Portion of loan repayment allocated to loan basis (not to exceed line 20) .....	21	0.
22	Subtract line 21 from line 20 .....	22	0.
23	<input type="checkbox"/> Excess loss items (not to exceed line 22) or <input checked="" type="checkbox"/> Excess nondeductible expense items (not to exceed line 22) .....	23	0.
24	Subtract line 23 from line 22 .....	24	0.
25	<input type="checkbox"/> Excess nondeductible expense items (not to exceed line 24) or <input checked="" type="checkbox"/> Excess loss items (not to exceed line 24) .....	25	0.
26	End of year loan basis (subtract line 25 from line 24) .....	26	0.

**Part V – Total Basis**

27	Total end of year stock basis and loan basis .....	27	324,563.
----	--	----	----------

**CONFIDENTIAL**

DMC 05516

Page 2